DOCUMENT RESUME

ED 431 520 PS 027 608

AUTHOR Neumann, Anita
TITLE Minnesota Child Care Assistance Programs. Fiscal Issue Brief.
INSTITUTION Minnesota Senate, St. Paul. Office of Fiscal Policy Analysis.
PUB DATE 1998-08-00
NOTE 10p.
AVAILABLE FROM Web site: http://www.senate/leg.state.mn.us/departments/FiscalAnalysis/reports.htm
PUB TYPE Reports - Descriptive (141)
EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS Comparative Analysis; *Day Care; Low Income Groups; *Poverty Programs; Program Descriptions; State Federal Aid; *State Programs; Welfare Recipients; Welfare Services
IDENTIFIERS Minnesota; Program Characteristics; *Subsidized Child Care Services

ABSTRACT

This paper details the structure and eligibility criteria for the two largest public child care subsidy programs in Minnesota, the Minnesota Family Investment Program Statewide (MFIP-S) and the Basic Sliding Fee Program (BSF). These programs assist low-income families to pay for child care in order for parents to work, search for a job or participate in educational or job training activities. Both programs are supervised by the Minnesota Department of Children, Families and Learning and are administered locally by county social service agencies. The paper provides data for funding and state costs, and highlights the differences between the two programs. (JPB)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION
CENTER (ERIC)
X This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

ED 431 520

FISCAL ISSUE BRIEF

Minnesota Child Care Assistance Programs

Senate Office of Fiscal Policy Analysis *August 1998*

Questions

Contact Anita Neumann, Senate Family and Early Childhood Education Fiscal Analyst at 651/296-0165 or e-mail at Anita.Neumann@senate.leg.state.mn.us.

Introduction

The two largest public child care subsidy programs in Minnesota assist low-income families to pay for child care in order for parents to work, search for a job or participate in educational or job training activities. These two programs are the Minnesota Family Investment Program Statewide (MFIP-S) Child Care Program and the Basic Sliding Fee Program (BSF). While both programs are specifically targeted to low-income Minnesota families, supervised by the Minnesota Department of Children, Families and Learning (CFL), and administered locally by county social service agencies, there are notable differences in their structure and eligibility criteria. Those differences are discussed below.

Senate Office of Fiscal Policy Analysis Fiscal Issue Briefs are intended to offer background information on new or pending issues in the budgeting process. Issue Briefs are divided into the various budget categories including General Budget Information, Health and Family Services, Economic Development, Corrections, K-12, Higher Education, Early Childhood Education, Environment, Transportation, and State Government.

PS 027608

BEST COPY AVAILABLE

PERMISSION TO REPRODUCE AND DISSEMINATE THIS MATERIAL HAS BEEN GRANTED BY
Anita L. Neumann
TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

Minnesota Family Investment Program Statewide (MFIP-S) Child Care

The MFIP-S child care program is for those participating in a publicly funded cash assistance program called the Minnesota Family Investment Program Statewide or MFIP-S in Minnesota and known as Temporary Assistance to Needy Families or TANF for federal purposes. The TANF program replaced the Aid to Families with Dependent Children (AFDC) program as a result of the 1996 federal welfare reform legislation. MFIP-S child care assistance also covers participants in other welfare reform efforts including Work First, STRIDE, and ACCESS. The STRIDE program--the state's version of the federal jobs and training program-- ended on January 1, 1998 with the expiration of AFDC. Benefit payments made under the ACCESS program ceased after June 30, 1998. The ACCESS program was a self-initiated education and training program limited to 2000 participants statewide. The Work First initiative grew out of pilots in Clay and Carver counties which began in 1996 and emphasized immediate and intensive job search.

Unlike the former AFDC program which was a federal entitlement program, MFIP-S is a forecast program without an allocation ceiling. Including a program in the forecast gives a program funding priority within the state budget setting process. That is, the program's costs are estimated, and recognized or accounted for within the state budget forecasting process before state budget surpluses or deficits are projected. The money must be appropriated by the legislature, however, in order to be actually spent on the program. The forecast status of this program means that it operates much like an entitlement program so currently there are not waiting lists of those

Federal Poverty Guidelines 1998		
Family Size	Annual Income	75 Percent
1	$8,050	$6,038
2	10,850	8,138
3	13,650	10,238
4	16,450	12,338
5	19,250	14,438
6	22,050	16,538
7	24,850	18,638
8	27,650	20,738
9	30,450	22,838
10	33,250	24,938

Table 1.

eligible to participate in the program who are not served due to insufficient funds.

Under the MFIP-S program, counties are reimbursed from state and federal funds for their expenditures. MFIP-S child care families whose income exceeds 75 percent of the federal poverty level (Table 1.) are required to make a copayment of at least $5 per month (see Appendix A for more details.)

Assistance under this program can be used for child care expenses related to employment, training or job search as long as those activities are contained in a participant's employment plan. These plans are generally designed by the participant's county of residence or a designee and tailored to individual needs and goals within the framework of the MFIP-S program. Cash assistance for child care costs is also available for some MFIP-S participants who do not have an employment plan. Child care assistance for those without an employment plan is available only if the parent/caretaker is employed an average of 20 hours per week and earning at least minimum wage. If a parent/caretaker does not have an employment plan but is searching for a job, child care assistance is available, but it is limited to 240 hours of child care in a calendar year. The 240 hour per year limit on child care assistance does not apply if the parent/caretaker meets the minimum hour and wage requirements described above.

MFIP-S child care assistance also pays the cost of child care for eligible families moving off of the MFIP-S cash assistance program during their Transition year. A Transition year is the 12 month time period after a family loses their eligibility for MFIP-S cash assistance due to employment or other earnings (like child or spousal support payments) that boost their income beyond the welfare eligibility limits.

To qualify for transition year care, however, the parent/caretaker must have been on public assistance for three of the past six months before losing welfare eligibility due to increased income. Transition year child care eligibility is also limited to those with incomes less than 75 percent of the state median income (Table 2.) and is available for a maximum of 12 consecutive months. Transition year child care is available only to enable a parent/caretaker to work at least an average of 20 hours per week earning at least minimum wage--there is no allowance for job search, education or training activities. After completion of TransitionYear care, income eligible families move to the Basic Sliding Fee Program in the second priority category (explained below.) Approximately 70 percent of those families moving into their Transition Year are expected to apply for the BSF program.

Funding

While the MFIP-S child care assistance program is partly financed with federal dollars through the

Child Care and Development Fund, the state share currently exceeds the federal share by a substantial margin. A more thorough discussion of the current funding mechanisms for Minnesota's child care assistance system is contained later in this paper and is summarized in Tables 3 , 4, and 5.

Basic Sliding Fee Child Care

The Basic Sliding Fee Child Care program (BSF) is a state program enacted in 1985 that is targeted to Minnesota's low-income working families. Families receiving assistance through the welfare system or those in their welfare transition year are **not** eligible for BSF assistance. To qualify for BSF child care assistance, families must have incomes below 75 percent of the state median income (Table 2.) and have children under the age of 13.

An eligible family with an income above 75 percent of the federal poverty level must make a copayment which is a minimum of $5 per month and is based on family size and income. (See Appendix A for more details.) Funding for the BSF program is capped and is allocated to counties on a calendar year cycle. Counties are required to contribute a specified matching amount.

State Median Income 1998		
Family Size	Median Income	75 Percent
2	$36,989	$27,742
3	45,693	34,270
4	54,396	40,797
5	63,099	47,324
6	71,803	53,852
7	73,435	55,076
8	75,066	56,300
9	76,698	57,524
10	78,330	58,748

Table 2.

Because financing for this program is a capped dollar amount set in law, waiting lists of families eligible to participate but who cannot be served due to lack of money exist in many counties throughout the state.

In 1998, it is estimated that approximately 16,600 families of the 23,000 eligible for the BSF program will receive child care assistance under Basic Sliding Fee. Some counties contribute additional county funds to reduce or eliminate their waiting lists.

The Basic Sliding Fee program includes three eligibility priorities. Those applicants given the highest priority for service are parents/caretakers without a high school diploma or GED (General Education Development) diploma, and those needing basic course work or ESL (English as a

Second Language) services for persons whose native language is not English. The youngest parents/caretakers are served first. The second priority under the BSF program is families who have completed their AFDC/MFIP-S Transition Year and who still meet income and employment eligibility requirements. The third priority group--created in 1997--is current BSF recipients who move to another county that has a waiting list. Previous to the 1997 change, those moving from another county went to the bottom of the waiting list in their new county of residence. The final group to be served is all other families who meet the program's income test. Unlike MFIP-S child care assistance (not including Transition year care) which generally falls under the 60- month lifetime limit for eligibility, there is no limit on the length of employment related child care subsidy under BSF. Child care expenses related to educational activities, however, are limited to no more that the time necessary to complete the credit requirements for an Associate or Baccalaureate degree as determined by the educational institution. These limitations do not apply to those needing basic or remedial education programs to prepare for post-secondary education or employment. In all cases, BSF participants must be employed at least an average of 20 hours per week and earn at least minimum wage.

Funding

Both the MFIP-S Child Care Assistance program, and the Basic Sliding Fee program are supported by a combination of state, federal and county funds with the state now as the principal source of revenue. As discussed above, the state supports these program through the general fund with the MFIP-S program as a forecasted item and the BSF as a capped allocation program. Under both programs, counties may augment their services using county revenues for direct services and administrative costs. Only the Basic Sliding Fee program requires a county direct service match. The county direct services match for the BSF program is its calendar year 1996 direct service match minus the loss in administrative reimbursement incurred by moving from a rate of 10 percent to 5 percent of direct service costs.

Federal funds for these programs are available through the federal Child Care and Development Fund. This fund provides money in three categories: mandatory, matching and discretionary. The mandatory category is the basic money the state gets to finance publicly assisted child care. Matching funds are predicated on the state spending at least as much as it did in federal fiscal year 1995. If the state spends beyond that level, it has the opportunity to draw down additional federal monies to match state expenditures beyond the 1995 spending level. Discretionary funds are those that are available to a state with no matching requirements or maintenance of effort limitations for spending on child care assistance, quality improvement, system development activities or other state initiatives related to child care. According to the Dept. of Children, Families and Learning, the state is currently maximizing all available federal funding opportunities.

In addition, to the sources cited above, an additional source of revenues exist in the federal TANF Reserve Account. The federal TANF reserve is the federal welfare reform allocation set-aside for Minnesota to finance all facets of welfare reform. Minnesota's annual federal TANF block grant is $267,985,000. Currently, the majority of federal TANF dollars allocated to Minnesota are allocated to fund state welfare cash assistance, medical and food assistance programs. Child care assistance in Minnesota currently does not utilize TANF reserve dollars. Under federal law, however, a state may use up to 30 percent of the grant dollars for child care activities within the Child Care and Development Block Grant and for prevention and early intervention activities under the Title XX program for children and their families whose income is less than 200 percent of poverty. While under federal law, the Child Care and Development Fund could access the entire 30 percent allowance, the law restricts the Title XX activities to not more than one-third of the 30 percent allowance .

As mentioned above, under current state law, the child care and development fund does not draw from the federal TANF reserve account. State child care spending, however, does provide a significant share of the state's annual required Maintenance of Effort (MOE--ie. the minimum level of state spending required to draw down federal dollars) of $192 million. The February 1998 forecast reflected the following amounts of MFIP-S cash assistance child care expenditures in the TANF MOE:

FY 1998:	$16,291,000
FY 1999:	$50,164,000
FY 2000:	$53,843,000
FY 2001:	$55,450,000

Transition year and BSF child care expenditures do not count for purposes of TANF MOE.

Summary

The tables below provide a summary look at the MFIP-S (including Transition Year care) and Basic Sliding Fee child care assistance programs and their sources of funding over the three most recent budget cycles.

State General Fund Dollars for Child Care Subsidies (Direct Service Costs)

Program	Fiscal Years 96-97	Fiscal Years 98-99	Fiscal Years 00-01
AFDC/MFIP-S*	$39,525,000	$99,169,000	$170,700,000
Basic Sliding Fee	$40,277,000	$95,752,000	$101,502,000

Table 3.

* Includes child care assistance for MFIP Field Trials. The MFIP Field Trials were Minnesota's

"test" welfare reform project piloted in seven Minnesota counties--Anoka, Dakota, Hennepin, Mille Lacs, Morrison, Sherburne and Todd counties between April 1, 1994 and June 30, 1998. Ramsey County undertook its own pilot called MFIP-R beginning in July of 1996.

Federal Dollars for Child Care Subsidies (Direct Service Costs)

Program	Fiscal Years 96-97	Fiscal Years 98-99	Fiscal Years 00-01
AFDC/MFIP-S	$38,200,000	$64,100,000	$70,200,000
Basic Sliding Fee	$30,100,000	$33,600,000	$33,600,000

Table. 4.

County Funding Sources

Program	Fiscal Years 96-97	Fiscal Years 98-99	Fiscal Years 00-01
AFDC/MFIP-S	$4,200,000	$0	$0
Basic Sliding Fee	$10,400,000	$5,800,000	$5,800,000

Table 5.

The fiscal year 1996-1997 figure for AFDC includes the county funded portion of administrative costs. The numbers for BSF include the required county direct services match amount in effect at the time.

The numbers for fiscal years 1998-1999 and 2000-2001 **do not** include any voluntary county funding and also reflect the reduction in the BSF direct services match required of counties.

Prior to fiscal year 1998 counties were reimbursed for 50 percent of their actual administration costs for the AFDC program. The Social Services Time Study (SSTS) indicated that on average, county administrative costs equaled approximately 10 percent of direct services costs. Also, under the previous law, the Basic Sliding Fee program reimbursed counties for approximately 100 percent of their administrative costs via the 10 percent allowance for direct services costs. However, under the previous system, counties were required to make a direct services match. This match was a statewide figure that was adjusted each year. For example, the county match rate for calendar year 1996 was 12.84 percent.

Beginning with fiscal year 1998, counties receive a 5 percent administrative reimbursement for both the MFIP-S and BSF programs. The net "loss" of administrative reimbursement to counties as a result of moving to a fixed 5 percent level, is generally offset by a reduction in the required

county direct service match requirement. These changes are reflected in the fluctuation in county funding levels between the 1996-1997 and 1998-1999 bienniums.

The final table below, presents in summary fashion the major elements of the AFDC/MFIP-S and Transition Year child care programs as well as the Basic Sliding Fee Program under current federal and state laws.

Child Care Program Summary

	MFIP-S	Transition Year	Basic Sliding Fee
Eligibility	MFIP-S Recipients	Former MFIP-S Recipients; Income below 75% of State Median	Income below 75% of State Median
Available for: Employment	Yes	Yes	Yes
Education/ Training	Yes	No	Yes
Job Search	Yes	No	Yes
Time Limit	60 months	12 consecutive months	None for employment related care
Child's Age Limit	12 and under; 14 and under for children with special needs	12 and under; 14 and under for children with special needs	12 and under; 14 and under for children with special needs
Funding	Federal block grant; State general fund forecast program, county voluntary	Same as MFIP-S	Federal block grant; State general fund capped allocation; county
Cost Per Child Based on CY 1997	$3899	$4679	$3877
Eligible Providers	Legal Only	Legal Only	Legal Only
Infant Exemption	12 months	n/a	12 months

Table 6.

Appendix A

Minnesota Child Care Fund: Monthly Family Co-Payment Schedule
Effective January 1, 1998

			Income			
No. of Persons in Household	**$10,000**	**$20,000**	**$30,000**	**$40,000**	**$50,000**	**$60,000**
2	$5	$97	*	*	*	*
3	5	47	297	*	*	*
4	0	26	157	557	*	*
5	0	30	91	344	*	*
6	0	5	34	218	595	*
7	0	5	34	193	558	*
8	0	0	35	181	520	*
9	0	0	36	168	482	*
10	0	0	0	155	443	*
11	0	0	0	141	420	*
12	0	0	0	136	387	835
13	0	0	0	129	367	790

* Ineligible income.

U.S. Department of Education
Office of Educational Research and Improvement (OERI)
National Library of Education (NLE)
Educational Resources Information Center (ERIC)

ERIC

REPRODUCTION RELEASE

(Specific Document)

I. DOCUMENT IDENTIFICATION:

Title: Minnesota Child Care Assistance Programs

Author(s): Anita L. Neumann

Corporate Source: Minnesota Senate Office of Fiscal Policy Analysis

Publication Date: Aug. 1998

II. REPRODUCTION RELEASE:

In order to disseminate as widely as possible timely and significant materials of interest to the educational community, documents announced in the monthly abstract journal of the ERIC system, *Resources in Education* (RIE), are usually made available to users in microfiche, reproduced paper copy, and electronic media, and sold through the ERIC Document Reproduction Service (EDRS). Credit is given to the source of each document, and, if reproduction release is granted, one of the following notices is affixed to the document.

If permission is granted to reproduce and disseminate the identified document, please CHECK ONE of the following three options and sign at the bottom of the page.

The sample sticker shown below will be affixed to all Level 1 documents

PERMISSION TO REPRODUCE AND DISSEMINATE THIS MATERIAL HAS BEEN GRANTED BY

Sample

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

1

Level 1

☑

Check here for Level 1 release, permitting reproduction and dissemination in microfiche or other ERIC archival media (e.g., electronic) *and* paper copy.

The sample sticker shown below will be affixed to all Level 2A documents

PERMISSION TO REPRODUCE AND DISSEMINATE THIS MATERIAL IN MICROFICHE, AND IN ELECTRONIC MEDIA FOR ERIC COLLECTION SUBSCRIBERS ONLY HAS BEEN GRANTED BY

Sample

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

2A

Level 2A

☐

Check here for Level 2A release, permitting reproduction and dissemination in microfiche and in electronic media for ERIC archival collection subscribers only

The sample sticker shown below will be affixed to all Level 2B documents

PERMISSION TO REPRODUCE AND DISSEMINATE THIS MATERIAL IN MICROFICHE ONLY HAS BEEN GRANTED BY

Sample

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

2B

Level 2B

☐

Check here for Level 2B release, permitting reproduction and dissemination in microfiche only

Documents will be processed as indicated provided reproduction quality permits.
If permission to reproduce is granted, but no box is checked, documents will be processed at Level 1.

I hereby grant to the Educational Resources Information Center (ERIC) nonexclusive permission to reproduce and disseminate this document as indicated above. Reproduction from the ERIC microfiche or electronic media by persons other than ERIC employees and its system contractors requires permission from the copyright holder. Exception is made for non-profit reproduction by libraries and other service agencies to satisfy information needs of educators in response to discrete inquiries.

Sign here, → please

Signature: Anita L. Neumann

Printed Name/Position/Title: Anita L. Neumann / Legislative Fiscal Analyst

Organization/Address: Rm. 6-24, Capitol, 75 Constitution Ave. St. Paul, MN 55155

Telephone: 651-296-0165

FAX: 651-296-7747

E-Mail Address: anita.neumann@senate.leg.state.mn.us

Date: 6-9-99

(over)

PS 027608